

MASON COUNTY FIRE PROTECTION DISTRICT NO. 9
Mason County, Washington
Special Audit
January 1, 1992 Through February 28, 1995

Schedule Of Findings

1. Public Funds Were Misappropriated And Disbursement Vouchers Were Forged By The Former District Secretary

Our audit of the financial records of Mason County Fire Protection District No. 9 revealed that at least \$4,084.51 in public funds was misappropriated by the former district secretary during the period January 1, 1992, through February 28, 1995. Accounting records were falsified and disbursement vouchers were forged in an attempt to conceal these losses. There were no federal funds involved in this case. These funds were misappropriated as described below.

a. The former district secretary withheld \$710 from district bank deposits.

(1) The Volunteer Firefighter's Pension Plan requires both the district and the individual volunteers to make annual pension payments. The former district secretary paid both the district's portion and the volunteer's portion with district funds.

(2) She then collected the volunteer's portion from the volunteer firefighters.

(3) The cash payments made by the volunteers, although receipted, were withheld from the district's bank deposit and kept by the former district secretary.

b. The former district secretary forged district disbursement vouchers to purchase items for personal use valued at \$3,374.51.

(1) She initially purchased personal items for her own use from district vendors through the Mason County purchasing accounting system. She used her home address on these transactions to intercept both the items purchased and the corresponding vendor invoices.

(2) She then falsified the vendor invoices by altering the description of the items purchased to make them appear as though they were legitimate district purchases.

(3) Finally, she prepared district disbursement vouchers for these altered vendor invoices and forged district commissioner signatures on these documents. These vouchers were then submitted to Mason County for payment from district funds.

The former district secretary was solely responsible for the district's cash receipt and cash disbursement functions. On February 28, 1995, she resigned from her position of employment at the district. On September 18, 1995, she pled guilty to forgery, theft in the first degree, and possession of stolen property in the second degree.

RCW 9A.56.030 states in part:

- (1) A person is guilty of theft in the first degree if he commits theft of:
 - (a) Property or services which exceed(s) one thousand five hundred dollars in value
- (2) Theft in the first degree is a class B felony.

RCW 9A.60.020 states:

- (1) A person is guilty of forgery if, with intent to injure or defraud:
 - (a) He falsely makes, completes, or alters a written instrument or;
 - (b) He possesses, utters, offers, disposes of, or puts off as true a written instrument which he knows to be forged.
- (2) Forgery is a class C felony.

The following internal control weaknesses allowed this misappropriation to occur and not be detected in a timely manner.

- a. There was inadequate segregation of duties.
 - (1) Cash Receipting: The former district secretary had total control over the cash receipting function. She was responsible for handling and listing cash receipts, making deposits, recording transactions in the cash receipts journal, and maintaining the accounts receivable records.
 - (2) Cash Disbursements: The former district secretary had total control over cash disbursements function. She had purchasing authority and prepared district disbursement vouchers in the Mason County purchasing accounting system.
- b. There was no periodic, independent management review or oversight of the work performed by the former district secretary which would accomplish the same objective as a segregation of duties between two or more employees.

In addition, the district had not obtained a personnel dishonesty bonding policy for its employees.

We recommend Mason County Fire Protection District No. 9 seek recovery of the misappropriated \$4,048.51 and related audit/investigation costs from the former district secretary.

We further recommend the Washington State Office of Attorney General and the Mason County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and the State Auditor as directed by RCW

43.09.260.

We also recommend the district:

- a. Review its overall accounting controls for cash receipt and cash disbursement transactions, correct the weaknesses outlined above, and improve the system of internal control designed to ensure protection of public assets.
- b. Obtain a personnel dishonesty bond for all employees.

